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DRUG STORE NEWS®

SECOND CLASS

Vol. 11/No. 15 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Aug. 14, 1989

Grass, Rite Aid land restraining order blocking indictment

By David Vaczek

CLEVELAND — A Cuyahoga County court judge has blocked the grand jury indictment of Martin Grass and Rite Aid Corp., pending her ruling on a Rite Aid motion to oust the prosecuting attorney.

In a highly unusual move, Judge Lillian Greene issued a temporary restraining order on the indictment, advising the court clerk to stop "further processing and/or service of the indictment . . .until further order of the court."

The temporary block was in response to an Aug. 1 motion by Rite Aid lawyers, the day an indictment of Grass and Rite Aid on alleged bribery charges was unsealed in court here. The chain's lawyers asked the judge to stop the indictment until the court rules on a June 6 Rite Aid motion that seeks to remove prosecutor William Caine from the case.

The June 6 motion charged that Caine prejudiced the case with comments he made to the news media after Grass' arrest April 27.

Grass had been set to be arraigned Aug. 15. That date will now be postponed, according to a source.

Bribery alleged

Grass and Rite Aid were indicted on charges that the Rite Aid president allegedly tried to bribe a former Lane Drug employee to resign from the Ohio State Pharmacy Board.

A Cuyahoga County grand jury handed up the indictments on June 14, about six weeks after Grass' arrest. But they were kept sealed and not opened until Aug. 1, anoth-

See **Grass** *page 35*

Revco looks beyond loss, on track to fiscal health

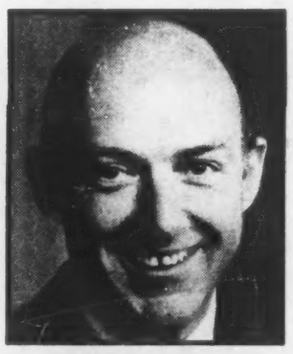
By James Frederick

TWINSBURG, Ohio — Revco D.S.'s steady return to health in recent months, under Chapter 11 protection, isn't readily visible in fiscal year results reported by the giant drug chain.

The 1,888-store operator sustained a $133.4 million net loss on $2.7 billion sales in its fiscal year ended June 3. The red ink wasn't unexpected by Revco's managers, however, and it obscures what has been a steadily improving business picture for the streamlined chain in the year's second half. In those months, the chain has regained balance lost when former management undertook a debt-laden leveraged buyout in late 1986, which led to bankruptcy in July 1988.

"This was, by far, the toughest year in Revco's history," said chairman and chief executive Boake Sells. "During this extremely difficult time, our people were put to the severest tests, and they passed with flying colors.

"Both our average sale per customer transaction and average weekly sales per store are higher today than one year ago," he continued. "Operationally, we are making great strides."



'Both our average sale per customer transaction and average weekly sales per store are higher today than one year ago.'
–Boake Sells, Revco chairman

Systems improved

Those strides are coming on several fronts. Merchandising and operating systems have been vastly improved. That includes the planned installation of scanners in close to 500 stores by mid-1990, an effort that is well underway. Stores chainwide have been cleaned up and are being renovated. Revco is also testing a prototype in Canton, Ohio, which will serve as the model for its

Continued on page 36

Industry elects '89 REX winners

NEW YORK — In an industrywide election that has become a prominent annual event, independent voters from 500 major trade suppliers have elected winners of the 1989 *Drug Store News* Retail Excellence (REX) Awards.

They are:

- Large Drug Chain of the Year: Drug Emporium;
- Small Drug Chain of the Year: Arbor Drugs;
- Drug Chain Marketer of the Year: John Jennings of Brooks Drug;
- Wholesaler of the Year: Harris Wholesale;
- Chain Design Innovator of the Year: Jack Eckerd Corp.

In its fifth year, the REX Awards were expanded to include the store format honor, won by Eckerd for its easy-to-shop Spartan layout. On chain of the year awards, drug retailers generating more than $300 million annual volume are eligible for the large chain honor.

The election of Drug Emporium as large chain of the year marks the first time a deep discounter has been voted the award. The chain of company-owned and franchised stores generates average annual sales per store of over $5 million, and since going public in 1988 has given the trade a closer view of its steady growth.

Winners will be lionized on a special four hour REX cruise Sept. 8 aboard the yacht *Duchess of New York*, underway at 6:30 p.m. Approximately 250 key executives from drug chains and major suppliers will attend the invitation-only cruise—giving high-level managers from

See **REX** *page 35*

LATE NEWS

- ORANGE, Calif. — Bergen Brunswig and its Good Neighbor Pharmacy retail group will launch its first national television advertising campaign in September, on Cable News Network and Headline News. The campaign aims to make 147 million household impressions per year.
- ALEXANDRIA, Va. — Peoples Drug Stores has its turnaround underway, according to figures released by parent Imasco. Operating earnings rose to $1.4 million in the second quarter ended June 30, compared with a loss of $7.9 million in the comparable year-earlier period. For the six months, operating earnings were $2.1 million, compared with an $8.9 million loss in 1988's first half.
- CHICAGO — Jay Spaulding has resigned as president of the National Housewares Manufacturers Association to seek "new business opportunities and interests," according to the trade group. A search committee is being formed to seek a new chief operating officer.

Electronic merchandising spotlight

Retailers assess array of in-store sales aids

A consumer walks into a drug store. She is greeted by a computer that tells her in which aisle she can find shampoo, aspirin, light bulbs and greeting cards—four items on her list.

She sees another computer. Intrigued, she starts it and as the computer "asks" questions about her daily skin regimen, she chooses multiple choice answers prompted by the computer. She winds up buying three skin care products the computer recommended.

Heading down one of the main aisles, she notices an electronic billboard overhead. On it, a lighted message advertises that Brand X is on sale today in aisle five; she perceives the price as a bargain and immediately goes to buy.

Across the aisle is an assortment of pantyhose. The consumer notices a strange egg-shaped shelf computer. She uses the computer to see which type of pantyhose is best suited for her, and is surprised that the computer advises her to wear light

Continued on page 15

NEWS IN BRIEF

AT's triamterene in recall

NEW YORK — American Therapeutics has announced a voluntary recall of three lots of triamterene/hydrochlorothiazide tablets, 75 mg/50 mg. Lot numbers and expiration dates involved are 811327-11/90, 811328-11/90, and 812382-12/90.

The company explained that recent stability studies have revealed that these three lots may dissolve at a rate below product specifications. The test showed that the other 60-plus lots produced are completely consistent with the specifications approved by the Food and Drug Administration. American Therapeutics has notified the FDA and is coordinating its activities with the agency.

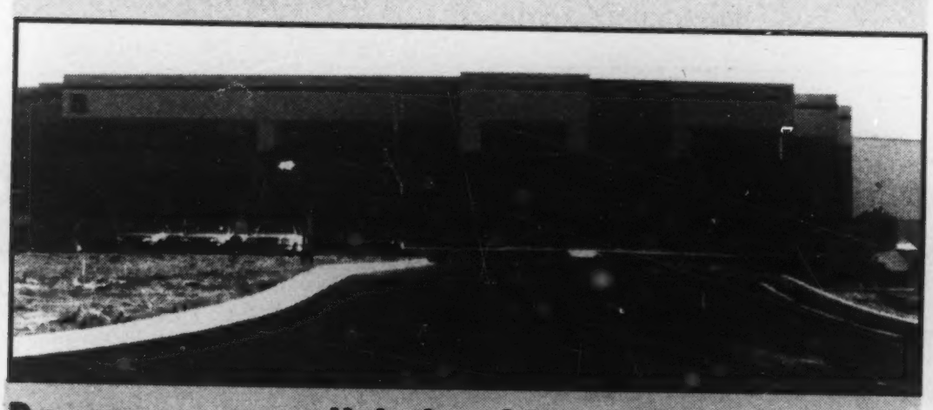
Plastic bag ban delayed six months

RIVERHEAD, N.Y. — The Suffolk County legislature here voted a six-month moratorium on a landmark law that would ban plastic grocery bags and foam containers. One of the first such efforts to control plastics deemed harmful to the environment, the law has been watched closely by drug stores who use plastic checkout bags (though the ban only applies to supermarkets).

Lawmakers in this Long Island area voted 12-6 to override a veto by the County Executive and passed the moratorium. Supporters said it will allow the plastics industry more time to make their case for recycling.

The debate on recycling has reached a fevered pitch in Long Island communities which are under a New York State mandate to eliminate garbage incinerators. Genovese Drug Stores joined in a successful drive to stop a proposed law that would have required bottle law-type deposits on batteries.

Suffolk's plastics law had been on hold anyway by the State Supreme Court which said an environmental impact study should have been made.



Bergen consolidates Mich. DCs

ORANGE, Calif. — Bergen Brunswig Drug Co. recently opened its new, 187,000-square-foot distribution center in Williamsburg, Mich., near Lansing. The DC consolidates its Kalamazoo, Grand Rapids and Fenton, Mich., divisions into one technologically advanced DC.

"We're right in the middle of the state, which gives us easy access to all areas," said Tom Holden, regional vp for the wholesaler's north central region. "We will be servicing our customers' needs out of a greater depth of inventory and with new, modern handling systems."

Fred Meyer, Thrifty get legs

PORTLAND, Ore. — Magnivision is sponsoring the Fred Meyer corporate running team in the 1989 Hood to Coast Relay. A three-day event on Aug. 25-27, the Hood to Coast begins at Mount Hood and finishes at Seaside on the Oregon coast. A total of 700 12-person teams will participate in the 185-mile relay.

Magnivision is also involved in Thrifty Drugs/Magnivision Baby Boomer West run set for Nov. 5, which sets running into a health fair atmosphere where companies can promote their products.

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Walgreens is RxPressing itself in a new, small way

ROLLING MEADOWS, Ill. — Quietly and without fanfare, Walgreens has begun rolling out tiny, 2,000-square-foot pharmacies in sites around Chicagoland that won't accommodate a full-sized store. The new concept is called Walgreens RxPress, and it features a full-service pharmacy fronted by about 650 top-selling non-prescription medications and home health care items.

MIDWEST REPORT
JAMES FREDERICK

Since the first one opened three months ago in Evanston, Walgreens has shoehorned RxPress units into two other sites around Chicagoland, including one in northwest Chicago itself on Irving Park Road, and a third which opened July 17 in suburban Rolling Meadows.

"We're opening these express pharmacies in areas where we don't have a full-size Walgreens," said RxPress manager and pharmacist Nancy Mazur.

"They go where we can't find a site for a full-sized store," added company spokesperson Laurie Meyer.

Typical is the original unit, which fits nicely into a block of retail outlets near downtown Evanston. A store employee told me walk-in and phone-in prescription business was picking up steadily as locals became aware of the store and switched to the more convenient location.

RxPress units are definitely geared toward the pharmacy patient. The Rx counter is low-slung to allow for easy pharmacist-to-patient counseling; the waiting area is fully carpeted with plenty of seats and reading matter; and patients can check their own blood pressure while waiting.

A company source said two more RxPress units could open in Chicagoland by the end of the year, and the concept "could work in other markets" where space is at a premium.

Wal-Mart gives vendors the reins in Wisconsin store JANESVILLE, Wisc. — Wal-Mart has given more than 100 of its major vendors unprecedented control of their own departments at an experimental store in this town of 50,000 in southern Wisconsin. The store "is an effort to involve the vendor in the setup and running of various store departments," a spokesperson said.

Wal-Mart is using the month-old store to test new merchandising concepts and new products, and to get additional feedback from its suppliers.

Suppliers like Rubbermaid, Mead, Ambassador and Fisher-Price are among those which have been given the green light to set up and run their own sections in Janesville. With the additional space and freedom given the vendors to highlight their own product groupings, it's no surprise the store has a unique look and feel as a collection of "stores within a store."

At 110,580 square feet, the new store is big enough for plenty of experimentation. Among its many departments is a full-sized pharmacy and drug store section.

Schnuck's leapfrogging across Missouri BRIDGETON, Mo. — Schnuck's, which has been a big force in food and drug retailing in St. Louis for two generations, is planning to stretch well beyond its traditional operating turf next year with a move to the other side of the state into the Kansas City-Topeka area.

"We'll begin with one large supercenter with a pharmacy in Kansas, probably in the late summer or fall of 1990," said Sue Gibson, Schnuck's spokesperson. "We might be looking at three locations there by 1991."

All but four of the chain's 60 stores are in its home St. Louis market, where the chain's 34 combo stores wage a fierce battle for market share with rival combo store chain National-Kare Pharmacies and drug chains like Walgreens and SupeRx-Medicare-Glaser.

Bellini, in exclusive interview, tells of Revco's operational gains

By James Frederick

TWINSBURG, Ohio — After presiding over Gray Drug Fair during its final, troubled days, then assuming command of store operations at Revco during the darkest hours of that company's financial crisis, Carl Bellini is certainly a man with an intimate knowledge of the dark side of chain drug retailing. Thus, it must have been a comfort to him that he departed the industry he loved on a high note, praised for helping to engineer the ongoing turnaround at Revco.

News Analysis

Bellini, 55, left Revco this summer to become president and chief operations officer of Erol's Inc., a video and electronics chain based in the Washington, D.C. area. He joined Revco in late 1987 as executive vp-stores.

In a letter to Revco employees, Bellini called his leave-taking "the most difficult decision of my lifetime."

At Revco, Bellini faced a daunting task. When he took over as operations chief under ceo Boake Sells, he was charged with implementing the turnaround in store operations and management systems that the chain so desperately needed, when it could least afford them.

Like Sells himself, Bellini found himself inheriting enormous problems. Mounting debt pressures stemming from Revco's LBO a year earlier were building rapidly, forcing the company into fiscal crisis. Suppliers, stung by late payments, were beginning to cut off shipments.

Stores suffered from years of neglect and were cluttered, dirty and out of date. Inventory and management information systems were overloaded.

Worst of all, Revco's pharmacy image had been eroded by years of flirtation with promotional merchandise.

A great deal has changed since then. In an interview with *Drug Store News* just prior to his departure from Revco, he reflected on the accomplishments and challenges during his short tenure as head of store operations.

Customer service has improved under a new theme, called "Every Customer, Every Time." Systems and training for store ordering have improved, and pricing is now being done at the warehouse level. Information systems have been improved to allow headquarters to track item movement in the stores on an exception basis every week.

Bellini has also had a hand in reducing the "paper morass" at Revco—an effort that was the subject of a special task force.

"Several store management reports were eliminated as unnecessary duplication. The drive toward PAL (Revco's new interactive pharmacy system) and a POS system has also helped with automated cash sales reports from the registers," Bellini said.

Revco also announced it will equip another 400 stores with the new POS scanning systems, currently in 80 stores. The chain began testing scanners last year, and has the systems in place in 80 stores.

Bellini has also reorganized Revco's operational structure to boost field-level decision-making. Revco now operates through four regions under regional vps. The chain has also gone from 61 to 83 district managers, and from five pharmacy supervisors to 25.

OPINION

Thriving in a boom-and-bust locale

IN THE MARKET
BRUCE BUCKLEY

Hi Folks:

Hope this somewhat extended postcard finds you well.

We're here in Maine on the island of Mt. Desert, and what do you think I've been doing? Visiting a drug store—what else? A busman's holiday, you're thinking? You're absolutely right.

The object of my interest is a LaVerdiere's Super Drug Store that opened this past spring in the town of Bar Harbor (or "Bah Hahba," as the natives would say). Bar Harbor is the main municipality of this island, whose principal tourist attraction is Acadia National Park.

LaVerdiere's opened this 6,000-square-foot store on one of the town's busiest streets in a former Red & White supermarket that was finally done in by an aggressive local independent called Don's Shop 'n Save. Don's is one of a string of Shop 'n Saves reaching from Maine to upstate New York that are corporately owned by Wellby Drug Store parent Hannaford Bros. To my knowledge, and that goes back quite a number of years, no chain drug store had ever ventured onto this island before. Why? Largely because of the problematical customer base of this summer resort. In the high season, the island's population swells with visitors attracted to the national park. When fall comes, the population contracts like a spent balloon.

Many of the downtown summer businesses—T-shirt emporiums, ice cream palors and crafts places—are shuttered. Stores like LaVerdiere's and Don's, which cater to year-round residents as well as summer folk, have to live or die on this annual boom-and-bust cycle. At least one local independent pharmacist tried to make a go of it in about 1,000 square feet of space, a couple of blocks from the heart of town, but when we returned this summer his store was gone. He needed more than a prescription-OTC business to make it through the long winter.

LaVerdiere's, of course, has had decades of experience in merchandising stores to permanent and tourist customer bases, and no doubt welcomed the chance to take over this ideally-sized retail location in one of Maine's busiest resort communities. On recent visits, the front and rear-end cash registers were ringing constantly. The pharmacy department had four or five people waiting in line for prescriptions; a mature store couldn't have been doing much better.

The main reason for this quick success: A prime location with exposure to hordes of summmer strollers. Duane Reade in Manhattan may get more sidewalk traffic, but not all day and evening too. Like Duane Reade, LaVerdiere's uses its store windows like advertising vehicles. T-shirts, camping stoves, postcards and barbecue supplies are permanently featured. The blue awning over the entrance reads, "LaVerdiere's. . . prescription specialists." No doubt in customers' minds what this store is: it's a drug store and a variety store.

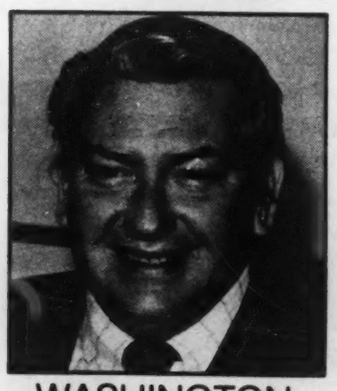
Inside, the merchandise rises on gondalas almost to the ceiling. There's nothing quite like a LaVerdiere's, with its profusion of hunting and fishing equipment, toys, housewares and hardware, and lawn and garden supplies—to say nothing of greeting cards, cosmetics, drugs and toiletries. It's got comfort zones for the whole family.

This winter will certainly blunt volume, but I have the feeling that Bar Harbor will eventually be one of LaVerdiere's number-one locations.

I must tell you that as I write this I'm sitting on the rocks of Otter Point. Lobster boats pull their traps less than 100 feet away, and cormorants dive endlesssly for eels. The blue water sparkles in the sun.

Wish you were here.

Multi-tier Rx pricing practices investigated



WASHINGTON PERSPECTIVE
KEN RANKIN

"Are we getting our money's worth" from prescription drugs? That's a question that comes up occasionally on Capitol Hill, but it's one that Congress seldom answers satisfactorily.

The issue of Rx drug prices came up again last month as Sen. David Pryor (D-Ark.), Senate Aging Committee chairman, made good on a promise to the National Association of Retail Druggists to investigate the allegedly "discriminatory" multi-tier pricing practices of many pharmaceutical manufacturers.

Independent pharmacists—and, for that matter, their chain counterparts—are rightfully concerned over the continuing insistence by some drug producers to charge retail drug stores far more than hospital pharmacies, HMOs, and other "classes of trade."

According to statistics released by Pryor's committee, hospitals are able to buy Tagamet for 19 percent less than the price typically paid by drug stores, Lopressor for 13 percent below the retail cost, and Transderm-Nitro at 99 percent less than the price paid by a community pharmacy.

Indeed, a report released by Senate staffers at the onset of the hearings concluded that "there are two domestic markets in the U.S. for most big-selling prescription drugs: a price-competitive market characterized by deep discounts off the published list price, and a high-priced market, where retail customers, Medicare and Medicaid purchase their prescription drugs."

Unfortunately, though, instead of following through with a tightly-focused examination of the causes of and cures for this type of price discrimination, the Senate Aging Committee broke off into a dozen different directions.

As a result, instead of having to respond to the tough questions regarding flagrant price discrimination against retail pharmacies, drug industry officials at the hearing were able to knock down straw men erected by Pryor and other members of the committee.

When Senate researchers noted that prescription drug prices had increased three times faster than the nation's overall inflation rate since 1981, Gerald Mossinghoff, president of the Pharmaceutical Manufacturers Association, was able to turn the tables on Congress. Correctly, the PMA chief argued that the rules of the marketplace had been changed by Federal and state legislation.

The period during which drug manufacturers must recover their "enormous" research and development costs has been "dramatically compressed" due to an "unprecedented surge of competition from generic products spurred by the Drug Price Competition and Patent Term Restoration Act of 1984," Mossinghoff replied. "The act, together with generic drug substitution laws in the states, results in a virtual collapse of the market for a brand-name drug soon after the patent expires."

When the the committee attacked drug manfacturers for replacing off-patent drugs with new, "me-too" versions at substantially higher prices, Mossinghoff simply pointed out that the availability of new drugs has saved the public billions of dollars annually by reducing the need for more costly forms of therapy.

Where the pharmaceutical industry is vulnerable, however, is in the area of pricing and marketing practices. As long as drug makers continue to force retail pharmacies, the general public and third-party insurance programs to subsidize the cost of "giveaway" drugs to hospitals and HMOs, the industry will remain open to legitimate attack.

It's too bad Sen. Pryor didn't focus on that issue instead of allowing the industry to wriggle off the hook.

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TRENDS

Retailers tap into electronic merchandising

Drug and food chains searching for the right system for store environment

Continued from page 1

support hose, a type she never considered. She decides to buy a pair. As she is leaving the aisle, she is aware of a radio program being played over the store's PA system, advertising the brand of pantyhose she just decided to buy.

In pharmacy, where she has to refill a prescription, she sees a kiosk. The woman touches the screen, and is stunned to see the many drug interactions listed between two drugs she is currently taking. She is prompted to ask the pharmacist about them, and he thoroughly explains the interactions to her.

She goes back to the computer and requests information about current medical news on diabetes, a disease that runs in her family. With a printout of the information in hand, she checks her list and finds those items in the store.

As she is waiting on line to check out, she sees another electronic billboard near the exit flashing the words "Thank you for shopping with us, and have a nice day." She doesn't even notice that the person in front of her is short of cash, and the manager is being paged for voiding those purchases.

As the cashier is ringing up her order, she wonders how she strayed from her shopping list. After she pays the cashier, the cashier hands her some vendor and store coupons generated from the cash register. "What are these?" she asks. The cashier replies, "They are for the next time you shop here."

Drug store of the future? Maybe, maybe not.

An easily influenced shopper? Perhaps.

The scenario is far from fiction, however, as an array of electronic merchandising strategies are being tested in drug and food stores across the nation.

Consumers and retailers alike are coming to terms with electronic merchandising. The age of technology is upon us, and it is up to drug store retailers to distinguish which systems, if any, are best suited for their stores' environments.

Electronic billboards have produced 30 percent-plus sales hikes for featured products in recent tests. See article, p. 22.

For consumers, these systems are a way to learn about the many new products introduced and help determine which would be good for them to use. For retailers, they help influence shoppers at the point of sale, where retail experts say more than two-thirds of purchasing decisions are made.

The retailer also benefits from the increased sales these systems can generate, through possible cross-merchandising opportunities, trial purchases, and trade-up opportunities to higher-quality, higher-ticket products.

Economical considerations

Drug store retailers must also weigh these positive aspects of electronic merchandising innovations against the economics of starting up and maintaining these systems. Expense is a hurdle, especially for smaller-volume drug stores, which would really have to justify the investment.

Nevertheless, many drug chains are branching out into the electronic sector to market products and information. The cosmetics and fashion departments in drug stores are leading examples.

In cosmetics, for instance, Noxell's Clarion computer has made strides at mass market, and the unit was upgraded this year to include information about its new UltraPure skin care line. L'eggs is rolling 2,000 "Pantyhose Advisors" into food and drug stores this month. The egg-shaped, shelf-edge computer helps women choose the correct hosiery style based on their lifestyle and preferences.

Photo departments at drug stores could change too, with the introduction of Kodak's Create-A-Print 35mm enlargement center. The interactive video system allows customers to create their own custom color enlargements from 35mm negatives in less than five minutes. Fuji Photo Film USA also has a video enlarger system, the 23VE, which can crop and manipulate the color balance of any negative.

Such systems could appeal to heavy users of film and photofinishing, who are increasingly important to drug stores.

Drug store core departments are not the only areas where electronic applications exist. Food stores such as A&P-owned Food Mart, Fred Meyer, H.E. Butt, and Vons have contracted to hang strategically placed electronic billboards above store gondolas.

Developed by In-Store Advertising, Inc., they show six-minute, lighted "looped" messages, including 20 15-second commercials of branded items and one minute of retailer messages.

Two-sided issue

Chain drug retailers told *Drug Store News* the issue of electronic merchandising has two sides. They recognize the dangers of creating a distance between customers and store-level workers, a relation based on people helping people. Yet many already feel that the systems they are test marketing in their stores are not usurping this vital communication between consumers and, say, cosmeticians or pharmacists, but actually enhancing it.

Even with this optimism, drug and food store executives remain cautious and face important decisions in how to apply electronic merchandising. Stuart Rosenthal, Vons' executive vp-marketing, summed up this slow approach, asking: "At what point do we reach saturation? We do not want to turn our stores into billboards. . . or have the advertising be overly intrusive. At what point does it become an annoyance?"

Interactive displays add zip to merchandising

Interactive electronic technology may be the way manufacturers can get back into retail executives' good graces regarding in-store displays.

Out of 129 supermarket executives polled by the Howard Marlboro group last year, over 60 percent of them reported they were only "marginally satisfied, if at all" with current manufacturer-provided displays.

They complained that current merchandising racks did little to help consumers shop, and the poor design of the racks in their stores led to space inefficiences. Some retailers were dissatisfied with display units that were not eye appealing and did not match their stores' established decor.

These supermarket executives reported strong support for interactive electronic technology as a way to sell and promote at the point of purchase. Forty-five percent of the respondents already had one or more interactive merchandising systems in their stores. Among that group, 92 percent said interactive merchandising will become more important in the future.

Reflecting the wide versatility of interactive units, 38 percent described individualized uses in both food and nonfood areas of supermarkets.

Especially important for drug stores, the cosmetics and H&BA departments were ranked equal to the grocery, deli, and meat departments as those best suited for interactive merchandising. The housewares department, especially light bulbs, was another nonfood area cited by supermarket retailers as a major use for interactive systems.

Will interactive merchandising become more important in the future?

	Total respondents (Percentage)	Breakdown by current usage (Percentage) Yes	No
More important	77	92	61
Less important	4	0	8
No change	7	8	8
Not sure/no answer	12	0	23

Source: The Howard Marlboro Group In-Store Survey of Supermarket Executives, June 1988

Which departments are especially suited for interactive merchandising?

Departments	Total Respondents (Percentage)	Breakdown by current usage (Percentage) Yes	No
Produce	23	15	31
Cosmetics/H&BA	15	15	15
Deli	15	15	15
Grocery	15	23	8
Meat	15	15	15
Cheese	12	15	8
Housewares	8	15	0

Source: The Howard Marlboro Group of In-Store Survey of Supermarket Executives, June, 1988.

PHARMACY

Congress renews its attack against unfair Rx pricing

By Ken Rankin

WASHINGTON — Responding to protests from consumers and retail pharmacists, Congress recently launched a fresh attack on pharmaceutical industry pricing practices.

The battleground for the latest skirmish over prescription drug costs was the Senate Special Committee on Aging, where chairman David Pryor (D-Ark.) made good on his promise to the National Association of Retail Druggists (NARD) to hold hearings this summer into discriminatory pricing by the pharmaceutical industry.

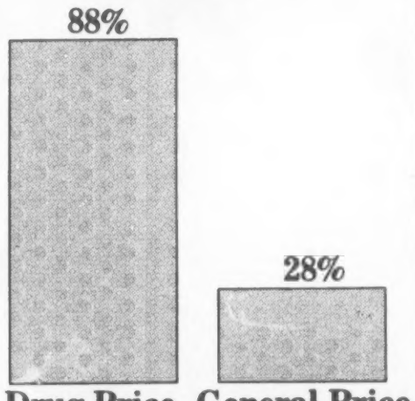
At the hearing's onset, Pryor produced a chart showing that for 10 brand name drugs widely prescribed for the elderly, hospitals pay anywhere from 4 percent to 99 percent less than the prices charged to retail drug stores.

To dramatize the effects of these discriminatory pricing practices, Prior produced four containers of Motrin, each labeled with the average price paid by each class of purchaser.

According to committee researchers, although the average wholesale price of Upjohn's anti-inflammatory drug to retail pharmacies is $32, hospitals are able to purchase Motrin for only $8.

Moreover, the Senate staffers found that while Veterans Administration hospitals can buy the same drug for even less ($5), they concluded that when the new "catastrophic" drug program for the elderly takes effect, Medicare will be paying an average of $29 for Motrin.

Drug price increases outpace inflation
1981-1988



Source: CPI-U (less medical component) and CPI-U (Rx drug component)

An even more extreme example cited at the hearings revealed that retail pharmacies pay an average of $32 for 30 5mg patches of Transderm-Nitro, while hospitals pay only one cent.

An even more extreme example cited at the hearings revealed that retail pharmacies pay an average of $32 for 30 5mg patches of Transderm-Nitro, while hospitals pay only one cent for the same product.

In a "briefing paper" distributed to the press at the start of the hearings, Senate staffers voiced sharp criticism of the pricing differentials employed in the pharmaceutical industry

"There are two domestic markets in the United States for most big-selling prescription drugs," they said in that report, "a price competitive market characterized by deep discount off the published list price, and a high-priced market where retail customers, Medicare and Medicaid purchase their prescription drugs."

For his part, Pryor charged that "here in the United States the price you pay for a prescription drug depends on who you are and what kind of a deal you can strike with the manufacturer."

Noting that "hospitals and the Veterans' Administration get the best prices" from pharmaceutical manufacturers, Pryor charged that "Medicare, Medicaid and the public buying at pharmacies get the worst prices, because the pharmacies have to pay high prices."

Significantly, the Senate committee also attacked pharmaceutical manufacturers for refusing to bid on supply contracts for retail pharmacy group purchase programs—a practice which they said may violate federal antitrust law.

Officials from the Lenco Group, a buying organization that negotiates group purchase contracts for some 2,300 independent pharmacies nationwide, told the committee that brand-name pharmaceutical manufacturers have effectively boycotted their service.

Continued on page 34

Georgia pharmacists optimistic concerning nurse Rx dispensing

By Elizabeth Richardson

ATLANTA — Georgia pharmacists are showing optimism some two months after persuading legislators to amend a bill which allows nurse practitioners to dispense and prescribe drugs.

"So far the bill has worked very well," said Wayne Oliver, director of governmental affairs of the Georgia Pharmaceutical Association (GPhA). "Initially, HB 209 would have allowed any nurse in any setting to order and dispense any medication to any patient based on protocol—pharmacy was completely left out. This could have been potentially the most devastating piece of legislation in Georgia in years."

Pharmacists worked in conjunction with physicians and nurses to come up with a compromise which was agreeable to all three groups.

Pharmacists worked in conjunction with physicians and nurses to come up with a compromise which was agreeable to all three groups. The bill, passed in late spring, is composed of three parts:

- Advance nurse practitioners may order, but not dispense, under protocol in any setting.
- Any nurse may prescribe and dispense under protocol in certain settings, especially relating to public health, non-profit institutions.
- A nurse may prescribe and dispense under protocol in out-patient, hospital-owned indigent clinics.

The bill defines "protocol" as a written document mutually agreed upon and signed by a nurse and a licensed physician or pharmacist, by which the physician or pharmacist delegates to that nurse the authority to perform certain medical acts.

Most pharmacists agree that the end result was a bill they could live with.

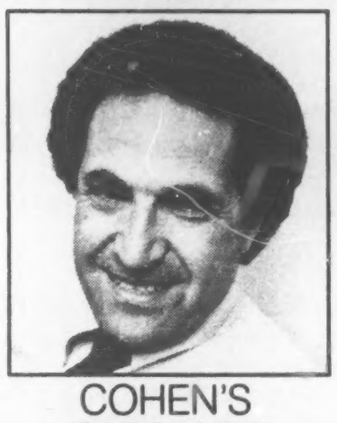
Pharmacists satisfied

"I'm so delighted that we have responsibility for total drug dispensing in public health [through the writing of dispensing protocols]," said Joe Whaley, a public health pharmacist from Albany, Ga. "Pharmacy could have been excluded with the sweep of a pen, had it not been for people who worked very hard to see this bill through."

Mahlon Davidson, a pharmacist with Big B

Continued on page 34

Nurses should dispense, prescribe in proper setting



COHEN'S CAPSULES
HAROLD COHEN

For most of us the first person, aside from our mothers and the pediatrician who delivered us, to make contact with us as human beings has been a nurse.

Thinking back to grammar school, the nurse acted almost as a surrogate mother. When we got sick at home we went to our mother; when we got sick at school, we went to the school nurse, who usually fixed everything with a smile, a glass of juice and a rest on the couch in her office.

It should come as no surprise then that the first image of a nurse I conjure up is one of a caring and professional individual who always seemed to be at the right place at the right time.

I guess that's why it bothers me to see individuals, especially health care professionals, take nursing for granted. Having worked in a hospital pharmacy at one time, it became quickly evident to me that it was, in large part, the nurses that had the bulk of responsibility in caring for patients. It was the nurses who took the medications to the different rooms and made sure the right pills were in the proper patient cups.

Nothing new

It's not something new. It's something nurses have been doing for generations. So what's all this fuss over nurse practitioners dispensing and prescribing medications? *(See story on this page).*

The immediate reaction I, and apparently other pharmacists had to the news of nurses dispensing and prescribing was visceral; a similar kind of reaction we had when hearing that physicians were dispensing from their offices.

But then I got to thinking that it's not the same. First, where is the profit motive? Nurses don't want to dispense or prescribe for financial rewards. They want to do it because it fits into their scheme of things, taking care of sick patients when the physicians are not around.

In certain situations

I'm not saying that nurses should have carte blanche on dispensing and prescribing medication, but in certain protocols I can see it. Not only do I see it, but I encourage it.

I unfortunately spent time earlier this year visiting my father in intensive care. It's a place where life and death aren't just words,they have real meaning.

Often, medication decisions have to be made without the luxury of consulting with a physician, even though most hospitals still insist on it. It's a place where nurses rule the roost with only occasional visits from doctors. It's a place where nurses should definitely be able to prescribe and dispense.

There are other protocols I think a nurse should exercise professional judgments in prescribing and dispensing medications. Such places would be long-term facilities like nursing homes and prisons, and busy, understaffed emergency rooms where triage is the call of the day.

Do I think nurses should dispense or prescribe indiscriminately? Of course not. But let's not waste a valuable health care resource because we are afraid that nurses will undermine pharmacists and physicians. Nurses don't want that. I'm convinced that all they want is to fortify and augment a health care system in this country that is already pretty damn good. Don't stand in their way.

PHARMACY

Congress attacks industry's Rx pricing practices

Continued from page 33

While generic drug producers have actively bid on contracts to serve Lenco's pharmacy clients, "manufacturers of single-source and brand-name multi-source drug products have, for the most part, declined to participate with group purchase plans," the group's partner, William Mincy, told Congress.

This refusal to bid is "confusing" to pharmacists, he said, "in light that the majority of these same pharmaceutical manufacturers participate in contract purchasing programs with hospitals, HMOs, and mail order pharmacy companies that often compete directly with retail pharmacies."

"Kansas Medicaid administrators estimate the state's taxpayers could save up to an additional $500,000 a year if manufacturers of the four marketed H_2 antagonists would respond to offers with bids," they said. "Kansas officials believe state and federal governments could save hundreds of millions of dollars if Congress were to put into place a national bidding and negotiating program under the Medicaid program."

Senate officials also charged that rising manufacturer drug prices were causing third-party programs to unfairly cut back on reimbursement to retail drug stores.

Small businesses squeezed

"Small retail pharmacies are being squeezed out of business, caught between rising drug prices and reimbursement limits imposed by public and private payers who won't pay pharmacies fully for the increased cost of drugs they sell," committee staffers said.

Significantly, however, they concluded that while "actions by insurers and Medicaid programs to cut pharmacy reimbursement have hurt pharmacies," they "have had little effect on drug prices."

According to a chart released by Prior's committee, although the average cost of a Medicaid prescription rose 56 percent between 1982 and 1987, pharmacy dispensing fees increased only 9 percent, from $3.04 to $3.32. During that same seven-year period, however, the average drug product cost rose from $6.13 to $11.07—an increase of more than 80 percent.

"In response to rising drug costs, insurers and Medicaid programs have given pharmacists minimal increases in reimbursement over recent years," the committee report concluded. "The combined effect of rapidly rising drug prices, which must be paid by the pharmacist, and reimbursement limits imposed by insurers and Medicaid are reducing pharmacists' profitability."

Net profit off

Specifically, the committee produced figures suggesting that while the "average prescription drug price" has climbed from about $3 in 1960 to $15 today, net profit at the typical pharmacy has declined sharply from about 5 percent then to 3 percent today.

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Ga. nurse Rxs

Continued from page 33

Drugs in Conyers, lobbied the legislative committee about the bill.

"The original bill was very vague and it led to ramifications that no pharmacist could agree with," he said. "We sat down and showed the legislators that it would open doors to things we didn't and they didn't ever intend to open. We were able to define pharmacy services and physician services."

Carl Johnson, a Kroger pharmacist form Atlanta, perceives the situation in terms of the symbol of pharmacy.

"In the Bowl of Hygeia are all of the drugs that do mankind good," he explained. "Also in that bowl are drugs that are addicting, diverting, and those that are more harmful than good if they interact with other drugs. I see the serpent as the pharmacist guarding what's safe. People can't just dip freely in the bowl and get what they want, when they want it."

Nurses in the state, although disappointed that they cannot function under protocol in *any* setting, agree that the bill is a good compromise.

"So far, it's worked well in all areas," said Lynda McSwain, president of the Georgia Nurses Association. "We've had a good relationship develop out of it. The pharmacists have been volunteering to write up the dispensing procedures, just as they promised they would."

The bill was introduced as a result of Georgia Attorney General Michael Bowers' ruling that protocol was not defined under the law, therefore limiting prescribing and dispensing to certain health care professionals, of which nurses were not a part. The ruling immediately effected public health facilities, especially in rural areas, since many nurses were already prescribing and dispensing drugs.

Other states, such as New York, Connecticut and California, are in the process of or have already imposed similar opposition and compromises to similar legislation.

FINANCIAL

Revco D.S. looks beyond this year's red ink

Continued from page 1
drug store base in the 1990s.

Important for stability, a new team of seasoned retail managers is in place, and headquarters support positions have been beefed up. Field management has also been strengthened by a broader network of district managers and pharmacy supervisors *(see Bellini article, page 2).*

Moreover, inventory levels are back to mid-90-percent levels at Revco distribution centers.

The chain has weathered many storms—including a near-disastrous cutoff in inventory shipments last summer and fall—and come through them with its basic business intact and its employees and vendors reassured.

Operating profit for Revco in the fiscal year was $6.4 million before depreciation and amortization, compared with $96.4 million in operating profits last year on sales of $2.4 billion. Non-recurring expenses related to Revco's bankrupcty last summer and its efforts to retool its merchandise mix and business strategy, along with interest payments and price reductions in its stores, led to the decline in operating earnings and the steep losses at the bottom line.

The chain has weathered many storms—including a near-disastrous cutoff in inventory shipments last summer and fall—and come through them with its basic business intact and its employees and vendors reassured. The disruptions caused by Revco's fiscal crisis, especially during the first half of the fiscal year, contributed to the $133 million in losses.

In an open letter to employees, Sells noted "a huge disruption in vendor support for several months" after the Chapter 11 filing last year. "We didn't have a whole lot to sell. So, customers shopped elsewhere," Sells said. "In the last six months, our shelves have been full again and customers have returned. Stores are cleaner, brighter, better stocked and friendlier than they were a year ago."

Noting Revco's efforts to restore vendor confidence, rebuild inventory levels and refine its merchandise mix and store format, Greg Raven, chief financial officer, added that operations in the second half showed steady improvements. "The trends are encouraging," he said.

In addition, much of the red ink in fiscal 1989 was spilled over nonrecurring, non-cash charges. Among them: a $38.3 million write-off in deferred debt costs related to its LBO, a $20.6 million write-off of old fixtures and equipment which will be replaced by new pharmacy and POS computer systems, and $17.3 million taken for inventory price reductions and refinements to the gross profit reporting system, which has been vastly improved with new software and data processing capabilities under Bill Seltzer, head of data processing.

Excluding those charges, Revco generated $61.7 million in operating earnings during the year, $48 million of it in the second half. Significantly, the chain's cash flow has been enough to meet current obligations without dipping into a revolving credit line set up for the company last year.

"As for Revco now, events are moving along," Sells wrote to employees. "The management team has shared the business goals of the company with our creditors, and we are working on a plan of reorganization that will allow us to emerge from bankruptcy."

Saying the company was "much healthier" than it was a year ago, Sells added, "We will not be in Chapter 11 forever."

Walgreen's 3rd qtr. shows sales, earnings records; 17¢ dividend is declared

DEERFIELD, Ill. — Walgreen Co. announced record sales and earnings for the third quarter and first nine months ended May 31.

Net sales for the quarter rose 11.1 percent, to $1.4 billion. Net earnings increased 25 percent, to $38.5 million, compared with $30.8 million for the period last year.

Sales for the nine months rose 9.7 percent, to $4.04 billion. Net earnings were up 24.1 percent, to $120.5 million, from $97.1 million for the period a year ago.

In other action, the board of directors declared a regular quarterly dividend of 17 cents per share, payable Sept. 12, to shareholders of record Aug. 22.

The drug division had sales increases of 14.0 percent for the quarter and 12.6 percent for the nine months, and showed improved gross margins for both periods, the company said. Comparable-store sales were up 9.1 percent for the nine months.

"Our prescription business continued its strong trend," said Fred F. Canning, president. "Pharmacy sales increased 22.4 percent for the quarter, leading to a 23.7 percent advance for the nine months. We're selective in our decisions to participate in third-party prescription plans in this growing but cost-pressured area."

Name	Symbol	STOCK PRICE From 07/14/89 - 07/31/89 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct.	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	72.50	63.63	70.00	6.13	9.59	72.50	48.63	2.54	-1.54 q	-38.9	28.9	1.00	1.4
Arbor Drugs	ARBR	23.75	19.50	23.00	3.00	15.00	23.75	8.00	.70	.20 n	29.4	26.1	.16	.7
Big B	BIGB	13.50	12.75	12.88	-.50	-3.74	15.38	10.75	.91	-.22 q	-20.8	15.3	.16	1.2
Fay's Inc	FAY	13.13	12.00	13.00	.88	7.22	13.25	7.28	.66	.29 q	70.7	18.6	.20	1.5
Genovese Drug	GDX	11.75	10.75	11.50	.50	4.55	12.88	8.75	.83	.17 q	25.8	13.9	.24	2.1
Longs Drg Strs	LDG	43.13	41.13	42.88	-.25	-.58	43.88	33.63	2.75	.35 q	14.2	15.3	.96	2.2
Medicare Glaser	MGCO	5.75	5.75	5.75	.00	.00	5.88	2.25	-.10	-.23 n	-100.0	NE	.00	.0
Medicine Shoppe	MSII	31.00	28.25	31.00	2.75	9.73	31.75	20.75	1.11	.27 n	26.0	23.7	.10	.3
Perry Drug	PDS	11.75	11.13	11.50	-.25	-2.13	13.50	5.25	-3.15	.20 s	NE	NE	.00	.0
Rite Aid Corp	RAD	40.50	37.00	39.63	2.63	7.09	40.50	29.13	2.30	-.02 q	-.9	17.1	.82	2.1
Walgreen Co	WAG	50.25	45.00	49.50	4.00	8.79	50.25	27.13	2.10	.48 n	24.0	20.0	.68	1.4
Wholesaler's transactions														
Alco Health Svcs	AAHS	25.00	24.50	25.00	.75	3.09	30.25	22.75	1.55	-.11 q	-7.4	18.1	.06	.2
Bergen Brunswig	BBCA	31.13	29.38	30.38	.25	.83	31.13	18.75	1.78	.72 n	45.9	13.3	.32	1.1
Bindley Wstn	BIND	9.38	8.50	9.00	.38	4.35	9.38	6.63	.58	.22 q	68.8	16.7	.00	.0
Cardinal Distrb	CDIC	26.00	23.50	25.50	2.00	8.51	26.00	15.69	1.58	.28 q	21.2	15.9	.08	.3
Durr Fillauer	DUFM	22.25	21.13	21.13	-.88	-3.98	23.13	13.25	.92	1.26 s	293.0	12.5	.24	1.1
Ketchum	KCH	6.38	5.38	5.38	-.88	-14.00	9.50	4.75	-4.73	-1.44 q	NE	NE	.00	.0
McKesson Cp	MCK	36.88	34.75	36.63	.75	2.09	36.88	29.63	2.28	.05 f	2.2	16.1	1.44	3.9
Moore Med	MMD	14.25	12.88	13.50	.50	3.85	15.63	9.00	-2.17	-4.00 q	-100.0	NE	.00	.0
Owens Minor	OMI	12.75	12.13	12.63	.13	1.00	15.88	11.38	1.00	-.35 s	-35.7	20.0	.26	2.1
Manufacturer's transactions														
Abbott Labs	ABT	65.75	61.25	65.75	4.50	7.35	65.75	43.75	3.33	.52 s	17.0	18.4	1.40	2.1
Am Home Prod	AHP	103.00	95.00	103.00	7.00	7.29	103.00	74.25	6.38	.64 s	10.6	15.4	3.90	3.8
Baxter Intl	BAX	23.38	20.75	23.13	2.00	9.47	23.38	16.25	1.31	.15 q	12.6	17.3	.56	2.4
Block Drugs Co	BLOCA	35.50	34.75	35.50	.38	1.07	36.00	28.25	2.55	.26 f	11.4	13.9	.64	1.8
Bolar Pharm	BLR	30.50	26.63	27.88	.88	3.24	32.25	16.38	1.51	.45 q	41.3	18.1	.04	.1
Bristol-Myers	BMY	52.13	47.88	48.25	-1.50	-3.02	52.13	40.75	2.88	.38 q	14.7	16.2	2.00	4.1
Carter-Wallace	CAR	53.00	46.13	52.88	6.25	13.40	53.00	36.25	2.97	.42 q	15.7	17.1	.82	1.6
Forest Labs	FRX	36.00	30.63	35.25	4.38	14.17	36.00	19.25	1.20	.24 f	25.0	29.4	.00	.0
ICN Pharm	ICN	6.88	6.13	6.38	-.13	-1.92	7.38	5.63	.23	1.54 s	NE	70.8	.00	.0
Lee Pharm	LPH	3.50	3.00	3.13	-.38	-10.71	5.50	3.00	-.23	.49 s	NE	NE	.00	.0
Leiner P Nutri	PLI	20.38	19.25	20.13	.88	4.55	20.88	9.13	1.12	.26 f	30.2	18.0	.00	.0
Lilly Eli Co	LLY	64.25	57.75	63.75	5.75	9.91	64.25	40.25	2.67	.51 s	20.8	21.5	1.35	2.1
Marion Labs	MKC	36.00	25.13	35.88	10.63	42.08	36.00	16.38	1.46	.50 f	52.1	24.6	.36	1.0
Merck & Co	MRK	77.88	71.50	76.00	4.13	5.74	77.88	53.50	3.05	.77 s	29.1	22.2	1.80	2.4
Mylan Labs	MYL	10.38	9.38	9.50	-.63	-6.17	11.50	7.50	.50	-.29 q	-40.3	22.1	.10	1.1
Newport Pharm	NWPH	3.94	3.44	3.44	-.56	-14.06	6.56	1.75	-.45	-.34 s	NC	NE	.00	.0
Par Pharm	PRX	10.38	7.00	7.50	-2.00	-21.05	13.00	7.00	.99	-.21 s	-18.9	8.3	.04	.5
Pfizer Inc	PFE	65.38	58.25	65.00	6.25	10.64	65.38	49.88	4.70	.56 q	13.1	13.5	2.20	3.4
Robins, AH	QRAH	33.25	30.00	33.13	3.25	10.88	33.25	21.88	2.42	67.78 q	NE	13.1	.00	.0
Rorer Group	ROR	42.00	37.00	41.88	4.75	12.79	48.25	33.63	1.96	-.55 q	-21.6	20.9	.80	1.9
Scherer RP Cp	SCHC	15.75	14.75	15.75	.25	1.61	33.38	14.75	.76	-.28 f	-26.9	20.7	.40	2.5
Scher Plough	SGP	77.75	67.25	76.75	8.75	12.87	77.75	49.50	3.48	.75 s	24.1	19.9	1.80	2.3
Squibb Corp	SQB	114.00	79.13	110.38	30.75	38.62	114.00	60.00	4.30	.80 s	20.5	23.5	2.00	1.8
Syntex Corp	SYN	51.13	46.00	50.75	2.75	5.73	54.50	35.00	2.51	.37 n	15.4	18.3	1.50	3.0
Thiokol Inc	TKC	13.75	12.38	12.88	-.38	-2.83	14.88	12.38	3.33	2.48 n	NC	5.2	.00	.0
Upjohn Co	UPJ	36.00	30.13	36.00	5.38	17.55	36.00	27.00	1.90	.23 s	13.1	18.1	.88	2.4
Warner-Lambrt	WLA	110.75	96.50	110.25	12.38	12.64	110.75	68.13	5.00	1.00 s	21.8	19.8	2.56	2.3
Zenith Labs	ZEN	1.25	1.13	1.13	-.13	-10.00	2.75	1.13	-.89	-.33 f	NE	NE	.00	.0
Other Retailer transactions														
Albertson's Inc	ABS	52.50	48.25	52.50	2.50	5.00	52.50	30.00	2.44	.60 q	30.5	20.4	.80	1.5
K mart Cp	KM	42.00	37.25	42.00	4.25	11.26	42.00	31.25	4.00	.44 q	12.8	10.9	1.64	3.9
Melville Cp	MES	47.25	45.63	47.13	.50	1.07	47.25	33.13	1.63	-1.08 s	-39.6	28.6	1.30	2.8
Penney, JC	JCP	60.75	57.13	60.38	1.38	2.33	60.75	44.88	6.02	1.87 q	45.0	10.0	2.24	3.7

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
q - First quarter
s - First six months
n - First nine months
f - Fiscal year

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